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October 16, 2008

BY FACSIMILE AND EMAIL

Karen E. Wagner, Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017

**Re: Federal Home Loan Mortgage Corporation
Funds Transfers**

Dear Karen:

On behalf of Lehman Brothers Holding Inc. ("LBHI"), we hereby respond to your letter of October 9, 2008 seeking certain factual information pertaining to two transactions involving the Federal Home Loan Mortgage Corporation ("Freddie Mac"). As we agreed in a previous telephone conversation, this response should not be construed in any manner as waiving the automatic stay provisions of the Bankruptcy Code as it pertains to LBHI or any other affiliate debtor, LBHI and its debtor affiliates reserve all rights to object to any 2004 discovery motion which Freddie Mac may bring in connection with these transfers or any other matters, and the recitation of the following facts is not a waiver of the attorney-client privilege.

We have been advised of the following facts: the funds from Freddie Mac were received by LBHI into a Citi account numbered 4061-5202 in August. The Citibank account numbered 4061-5202 is not a segregated account. The Citi account

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4061-5202 did not have sufficient funds to repay Freddie Mac in the amount of \$1.2 billion on September 15, 2008. LBHI did not issue wire instructions to repay Freddie Mac for either the \$450 million or the \$750 million loan transaction.

Sincerely,



Diane Harvey

cc: Jacqueline Marcus